

blockade.<sup>1</sup> The rejection of the recommendations of the Bullion Report and the depreciation of irredeemable banknotes in England encouraged the delusion that the growth of wealth was commensurate with the rise of prices. Prices reached their maximum at the moment of the abdication of Napoleon in the spring of 1814 and the coming of the general peace. The opening of the Continental markets had been too greatly discounted, goods could not be sold at the prices at which they were held, and the fabric of paper wealth tumbled like a house of cards. The country banks failed by the score in 1815, 1816, and 1817, and the disappearance of their notes so contracted the paper circulation that Bank of England paper seemed for a moment on the point of touching par.<sup>2</sup>

The United States were already feeling the embarrassments of a new country in maintaining an adequate metallic circulation, when the War of 1812 and the financial incompetence of the government precipitated a crisis. The expiration of the charter of the Bank of the United States in 1811 brought many new banks into the field and a veritable banking mania prevailed for several years in the Middle, Southern, and Western States. The offer of the Pennsylvania shareholders of the Bank of the United States to pay a bonus of \$500,000 to the State for the privileges of a State charter, and to loan the State \$500,000 in addition,<sup>s</sup> aroused such extravagant estimates of the profits of banking that the proposition was rejected and an effort made to secure these profits for local banks. A bill authorizing forty-one new banks was passed over the veto of the governor and thirty-seven of them went into operation in 1814. Similar events occurred in other States, and in two years the number of banks in the United States increased from 88 to 208. The volume of specie was not adequate to support the mass of credit thus attempted to be created and what there was in the country rapidly

<sup>1</sup> Coffee, which was four pence per pound in England, had been selling for four or five shillings in France.—Juglar, 323.

<sup>2</sup> *Fide p. in.*  
'McMaster, IV.,  
287.